

Message Text

CONFIDENTIAL

PAGE 01 STATE 061286

46

ORIGIN EB-02

INFO OCT-01 EUR-01 ISO-00 /004 R

DRAFTED BY EB:PMCGONABLE:BM

APPROVED BY EB:JLKATZ, ACTING

----- 118727

R 190151Z MAR 75

FM SECSTATE WASHDC

TO USMISSION OECD PARIS

C O N F I D E N T I A L STATE 061286

PASS ASSISTANT SECRETARY ENDERS

FOLLOWING SENT ACTION SECSTATE INFO HONG KONG KUALA LUMPUR
LONDON MANILA MEDAN OTTAWA PARIS SINGAPORE
SURABYA THE HAGUE TOKYO FROM JAKARTA MARCH 18

QUOTE C O N F I D E N T I A L JAKARTA 3195

DEPT PLEASE PASS EXIMBANK FOR CLARK

HONG KONG FOR TREASURY ATTACHE AND EXIM REP

EO 11652: GDS

TAGS: EFIN EALR EAID ID

SUBJ: GOI PROGRESS IN RESOLVING PERTAMINA FINANCIAL DIFFICULTIES

REF: A. JAKARTA 2988 B. EAL

1. SUMMARY: BANK INDONESIA (BI) NOW HAS PRELIMINARY
ESTIMATES OF PERTAMINA OBLIGATIONS FALLING DUE CY 1975.
LAST WEEK BI ASSISTED PERTAMINA TO PAY OFF ON TIME \$60
MILLION BANK DEBT. THIS WEEK BI CONSULTING WITH ITS
FINANCIAL ADVISORS ON PLANS TO RAISE SEVERAL HUNDRED
MILLION DOLLARS FROM EUROPEAN AND JAPANESE MONEY
MARKETS IN APRIL. ADVISORS REPORT GOI FINALLY REASY TO
CONCLUDE COMMERICAL FINANCING AGREEMENTS ASSOCIATED
WITH EXIM BANK CREDITS AND OTHER PENDING PROJECTS. GOI
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 061286

NOW REVIEWING PENDING MAJOR PROJECTS TO DECIDE ON FUTURE

MANAGEMENT AND ON IMPLEMENTATION. END SUMMARY

2. BI NOW ESTIMATES PERTAMINA HAS 600 MILLION IN SHORT TERM DEBT PLUS 100 MILLION IN LONGER TERM CREDITS STILL TO PAY BEFORE END CY 1975; MAJORITY FALLS DUE BEFORE JUNE. IN ADDITION, BI MUST ALSO PAY OFF \$230 MILLION OF BANK DAGANG NEGARA 6MONTH BORROWINGS FOR KRAKATAU PROJECT. ADDITIONAL OBLIGATIONS TO SUPPLIERS NOT YET ESTIMATED. BI ASSISTED PERTAMINA LAST WEEK IN COMPLETING PAYOFF OF \$40 MILLION CREDIT FROM SYNDICATE HEADED BY REPUBLIC NATIONAL BANK OF DALLAS (OVERDUE SINCE FEBRUARY 17), AND TO PAY OFF ON TIME \$60 MILLION TO TORONTO DOMINION BANK.

3. MINISTER WIDJOJO MET FINANCIAL OFFICIALS IN EUROPE LAST WEEK. HE AND CENTRAL BANK GOVERNOR RACHMET SALEH ARE CONSULTING KUHN LOEB (KL) AND OTHER FINANCIAL ADVISORS IN JAKARTA THIS WEEK. KL HAS ENLISTED PRESTIGIOUS US BANK WHICH WILL LEAD SYNDICATE WHICH KL HOPES MAY RAISE \$200-300 MILLION IN EUROPEAN MARKET DURING APRIL. GOI AND KL MAKING PARALLEL EFFORT IN JAPAN IN HOPES OF ADDITIONAL 100-200 MILLION. GOI OFFICIALS AWARE THAT JAPANESE GOVERNMENT POLITICAL DECISION REQUIRED TO SUPPORT INDONESIAN BORROWING IN JAPAN, WHERE BANKS FOREIGN LENDING TIGHTLY LIMITED. KL HAS NO FIXED VIEW ON HOW SOON INDONESIA MIGHT SUBSEQUENTLY GO INTO MARKET AGAIN BUT POSSIBLY NOT BEFORE FALL. (COMMENT: AT BEST, GOI BORROWING EFFORTS MIGHT RAISE FUNDS TO PAY MOST OF PERTAMINA'S CY 1975 OBLIGATIONS. HOWEVER, NEED TO FINANCE PRIORITY GOI PROJECTS NOW PENDING WILL INEVITABLY NECESSITATE SUBSTANTIAL RESERVE DRAWDOWNS THIS CY).

4. KL ADVISED EMBASSY THAT, FOR ITS COMMERCIAL BORROWING IN SUPPORT OF EXIM BANK FINANCED PROJECTS, GOI NOW ACCEPTS THAT IT MUST PAY ABOUT 1 7/8 PERCENT OVER LIBO (WIDJOJO PREVIOUSLY HELD OUT, UNSUCCESSFULLY, FOR 1 1/2 PERCENT). KL OPTIMISTIC THAT COMMERCIAL FINANCING FOR THESE PROJECTS CAN BE CONCLUDED BY END OF MARCH.

5. FOR LONGER HAUL KL STATES IT ENCOURAGING GOI TO HELP REFURBISH PERTAMINA'S IMAGE AS PROSPECTIVE INTERNATIONAL BORROWER
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 061286

SOME TWO YEARS HENCE, SINCE KL BELIEVES MARKET REACTS BETTER TO DIVERSIFICATION OF BORROWERS FROM SINGLE COUNTRY.

6. MINISTER MINES SADLI INFORMED AMBASSADOR NEWSOM MARCH 14 THAT GOVERNMENT NOW CONSIDERING HOW TO DEAL WITH NUMEROUS PROJECTS PERTAMINA HAS IN PROGRESS. SADLI CITED FOUR CATEGORIES FOR CLASSIFYING THESE

PROJECTS: THOSE (A) TO BE DISCONTINUED; (B) TO BE COMPLETED ON SCHEDULE BUT POSSIBLY SCALED DOWN; (C) TO BE STRETCHED OUT; AND (D) TO BE TRANSFERRED TO OTHER MANAGEMENT.

7. COMMENT: EMBASSY CONTINUES TO BE ENCOURAGED BY RECENT DEVELOPMENTS--PARTICULARLY BY (A) FACT THAT GOVERNMENT MOVED QUICKLY TO ASSURE OUTSTANDING OBLIGATIONS SETTLED; (B) SIGNS THAT WITH EXPERT FINANCIAL CONSULTANTS IN PLACE, GOI NOW PREPARED TO MAKE PROMPT DECISIONS ON PENDING PROJECT FINANCING; AND (C) INDICATIONS OF SMOOTH, CLOSE-WORKING RELATIONSHIP DEVELOPING BETWEEN PERTAMINA AND BANK INDONESIA OFFICIALS. NEWSMM
UNQUOTE INGERSOLL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, FINANCIAL STABILITY, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE061286
Document Source: CORE
Document Unique ID: 00
Drafter: PMCGONABLE:BM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750095-0895
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750336/aaaabfwl.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 JAKARTA 2988
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2003 by ElyME>; APPROVED <24 SEP 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOI PROGRESS IN RESOLVING PERTAMINA FINANCIAL DIFFICULTIES
TAGS: EFIN, EALR, EAID, ID, PERTAMINA
To: OECD PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006